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SUBJECT: BOUTEFLIKA SAYS HE'S NOT GOING ANYWHERE

Classified By: Ambassador Robert S. Ford. Reasons 1.4 (b) and (d).

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SUMMARY  
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¶1. (C) In a speech entitled, "Assessments and Perspectives," President Bouteflika December 26 surprised the nation by not outlining his proposed amendments to the constitution which must be adopted by referendum. Nor did he, as some media had speculated, reshuffle his cabinet. Instead, Bouteflika referred to widespread concern about his health and told the nation at the signing ceremony for the budget for 2007 law that he's "not going anywhere." He then candidly assessed the failings of the government. Bouteflika said Algeria needs more private investment, including foreign investment, and it needs to integrate into the world economy. He pointedly noted that Algerian economic growth resulted from hydrocarbons exports and little else. However, he also cautioned that the government would not sell out the country's "strategic" interests in the energy sector or in privatization; he admitted to having erred when he briefly opened the energy sector to wider foreign participation in ¶2005. He also called for strengthening the rule of law and giving primacy to "transparency and integrity" in economic policy decisions to achieve "confidence, social peace, and economic profitability".

¶2. (C) Bouteflika also displayed some traditional Algerian paranoia about foreigners. Without naming any group in particular, he lashed out at international NGOs that work with Algerian civil society to the detriment of Algerian interests, and he criticized Algerians who "sneak" into foreign embassies to supply them with information. Foreigners, he warned, usually do not work for the interests of Algeria. He also lashed out at Algerians who gain dual nationality, calling them shameful. Looking more broadly at the domestic political ramifications of the speech, Bouteflika's not moving forward on creating a vice presidency is giving credence to other stories we are hearing that his health is such that he will not address the succession issue any time soon. END SUMMARY.

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INTERNAL REFORM AT THE TOP OF THE AGENDA  
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¶3. (U) Bouteflika said that Algeria would not stop its support for just causes internationally, but it will not stand solely in either the West or East. He warned that Algeria must recognize it could not change the world and that it needs to address its own specific problems. He stressed

that the government would continue to fight terrorism resolutely. The official daily Moujahid also emphasized the President's points about bringing an end to regional favoritism (a clear reference to long-standing East-West tensions inside Algeria as well as simmering discontent in the Kabylie); the success of Algeria's repayment of its foreign debts as a step towards future prosperity (quoting an Arabic proverb that a man who pays his debts is on his way to happiness); and the "stability and serenity" in the country following years of terrorism and insecurity. El Moujahid and the rest of the press also widely reported economic achievements touted by the President. These include the creation "in recent years" of more than 92,000 new small-and medium sized enterprises, the doubling of per capita GDP between 1999 and 2005, and an increase in household consumption by 45 percent between 1999 and 2004.

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MIXED MESSAGE ON ECONOMIC POLICY  
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¶4. (U) Despite the progress made in these and other areas, the president made clear --and the press highlighted-- his dissatisfaction with the pace of reform. Bouteflika attributed the growth in per capita income in Algeria to higher world energy prices, not greater production or effort inside Algeria. He warned that the country must prepare for the day when oil and gas fields run out by beginning to diversify the economy now. Bouteflika said that Algeria needs domestic and foreign investment and to integrate its economy into the world economy. He cautioned, however, that Algeria would not "sell out its strategic interests" and admitted erring when he signed the 2005 hydrocarbon sector law that had boosted the role of foreign energy companies in Algeria. He pledged the government would act carefully on privatization too. He acknowledged the economic crisis many young Algerians face, particularly unemployment. He said the government would cut unemployment by using energy revenues for public works projects to promote rural development, build decent housing, and construct highways and other infrastructure.

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OLD ALGERIAN PARANOIA ON DISPLAY AGAIN  
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¶5. (C) Bouteflika also lashed out at alleged interference for foreigners in Algeria. Without naming any particular organization, he criticized international non-government organizations that issue "expert reports" about Algeria, and he criticized Algerian NGOs that work with them and obtain financing from them. He warned that the Algerian government's silence about their activities should be constructed to mean the Algerian government approves of them. He also blasted Algerian civil society representatives who "sneak" into foreign embassies and "salons" who act as agents of foreign interests. At one point Bouteflika cautioned that foreigners usually do not work for the interest of Algeria. Later he shamed Algerian citizens who take a second nationality for turning their backs on the country that has raised them after sacrificing "one and a half million martyrs". Bouteflika applauded Mauritania which he said does not allow dual nationality for its citizens. (Comment: the line about the martyrs refers back to the war against the French. In his discussions about NGOs Bouteflika likely was referring to Transparency International which got wide press coverage recently discussing corruption in Algeria. He could well have had NDI in mind as well. Clearly he does not trust the interaction between foreign embassies, foreign NGOs and Algerians. End Comment.)

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REACTIONS: PRAISE FOR DOMESTIC FOCUS  
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¶6. (C) Fatma Zohra Flici, an MP affiliated with the RND political party (one of three political parties forming the ruling coalition) praised the president's candor. She said

the underlying message to government ministers was clear. "There are many problems that have to be addressed, and we have to tackle these problems directly and take real action." Amine Echikr, a reporter for the French-language daily newspaper La Tribune, with a reputation for strong coverage of economic issues, told us December 26 that there were "clear moments when we felt that the president wanted to burst and say aloud, "I can't bear incompetence anymore." He did not need to go that far because the honesty of his discourse and the glances at ministers during the speech was enough to make the ministers feel bad," explained Echikr.

17. (C) Senate President Abdelkader Bensalah told the Ambassador December 27 that Bouteflika intentionally highlighted the government's need to focus on domestic problems, particularly economic, and spend less time on foreign policy concerns. The candid nature of Bouteflika's lengthy remarks was intended to shake people up and get their attention. Bensalah expressed his hope that the president's address, on the occasion of the signing of the annual budget, would become an annual tradition.

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NO CONSTITUTIONAL OR CABINET CHANGES  
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18. (C) What was not said in the speech came as a surprise. Bouteflika did not announce, as the press has widely speculated, a package of constitutional amendments for a national referendum. RND party MP and director of communications Miloud Chorfi told us December 26 that perhaps Bouteflika has moved beyond the idea of a referendum. (Other political party contacts are starting to say the same thing.) According to this theory, Bouteflika is now convinced that calling a referendum, which was widely expected to contain a provision creating a vice presidency, would showcase his physical weakness and inability to govern. Bouteflika's making clear in the speech that he wasn't going anywhere may mean that the referendum is indefinitely on hold.

19. (S) A relative of Interior Minister Zerhouni claimed to us December 26 that the Minister, a Bouteflika confidante who suffers himself from cancer, had counseled the president to shelve the idea of a referendum indefinitely. A physician at the Military Hospital in Algiers (protect) familiar with President Bouteflika's health condition recently told us in strictest confidence that the president suffered from cancer -- as had been widely speculated -- but that it was currently in remission for the foreseeable future, allowing the president to fulfill his duties.

110. (C) Bouteflika also did not announce any shakeup of his cabinet, which surprised some in the media. MP Chorfi, who had to cancel an appointment with us at the last minute because he had been "ordered" to be in the audience for Bouteflika's speech before a five-day holiday weekend to prevent speculation about it. (He said that also explained why the FLN party -- whose members are under instruction from FLN party leader and Prime Minister Belkhadem to let the speech speak for itself -- has not returned our phone calls seeking comment.) However, added Chorfi it was clear reading between the lines that Bouteflika would dismiss ministers whose performance was unsatisfactory, perhaps as early as January. It is widely speculated that Minister of investment Temmar and Minister of Energy and Mines Khelil are likely to leave the cabinet soon. Bouteflika, according to a source in the office of the Minister of Finance, has come to see both men as political liabilities because of the public perception that they are agents of multinational firms and the U.S. Algerians roar with approval, for example, when Louisa Hanoune, head of the Socialist Workers' Party, denounces both men in her speeches.

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COMMENT: PRESIDENT'S HEALTH KEY  
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111. (S) If true that President Bouteflika's cancer is in

remission, it would explain the president's confident assertion that he is not going anywhere -- at least not anytime soon. The DCM and other diplomats present at an official lunch in mid-December in honor of the Spanish prime minister noted that Bouteflika had a healthy appearance. If Bouteflika's health is stable, pushing for constitutional changes that would create a vice president to succeed him does not project an image of strength. This may explain the shelving -- at least for now -- of any constitutional reforms. It is also possible that behind the scenes negotiations on who will succeed Bouteflika have not produced a candidate acceptable to the military, as the executive director of the moderate Islamist MSP party told us recently.

Such disagreement would also explain why the referendum remains on hold. Of course, the two ideas are not mutually exclusive.

FORD